

## Message Text

UNCLASSIFIED

PAGE 01 THE HA 03036 01 OF 02 030855Z POSS DUPE  
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AGRE-00 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 FRB-01 INR-10 NSAE-00 SP-02 STR-07  
TRSE-00 LAB-04 SIL-01 OMB-01 /067 W  
-----066868 031024Z /11

R 021415Z JUN 78  
FM AMEMBASSY THE HAGUE  
TO SECSTATE WASHDC 2742  
INFO EC COLLECTIVE  
USMISSION GENEVA

UNCLAS SECTION 1 OF 2 THE HAGUE 3036

USEEC ALSO FOR EMBASSY

DEPT PASS AGRICULTURE

GENEVA ALSO MTN

E.O. 11652: NA  
TAGS: EAGR ETRD  
SUBJECT: NATIONAL SUBSIDIES CONTEMPLATED TO IMPROVE DUTCH  
AGRICULTURE

1. SUMMARY: AS A RESULT OF THE RECENT PRICE SETTLEMENT,  
WHICH IS CONSIDERED VERY UNSATISFACTORY BY FARMERS, DUTCH  
AGRICULTURAL ORGANIZATIONS CALLED FOR AN EMERGENCY MEETING  
WITH MINAG TO DISCUSS FURTHER GOVERNMENT SUPPORT TO  
IMPROVE THE COMPETITIVE POSITION OF DUTCH AGRICULTURAL  
AND HORTICULTURAL PRODUCTS. FAILING IN THEIR EFFORTS TO GET  
HIGHER PRICES FOR THEIR PRODUCTS, FARM GROUPS NOW WANT THE  
GOVERNMENT TO PLAY A MORE ACTIVE ROLE IN SUBSIDIZING THEIR  
EXPENSES. END SUMMARY

2. DUTCH AGRICULTURAL ORGANIZATIONS MET WITH THE MINAG  
ON MAY 25, 1978 IN AN EMERGENCY SESSION TO URGE THE GOVERNMENT  
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PAGE 02 THE HA 03036 01 OF 02 030855Z POSS DUPE

TO TAKE STEOPS TOIMPOVE THE COMPETITIVE POSITION OF NETHERLANDS  
AGRICULTURE AND HORTICULTURE. THE AGRICULTURAL BOARD, WHICH  
IS THE UMBRELLA ORGANIZATION FOR DUTCH FARM GROUPS, REQUESTED  
THE GON TO SUBSIDIZE COSTS OF QUALITY IMPROVEMENT, ANIMAL  
HEALTH CARE, INSPECTION AND RESEARCH, AND  
URGED THE GOVERNMENT TO PLAY A GREATER ROLE IN DEFRAYING COTS  
OF EXPORT PROMOTION. THE TOTAL COST OF THIS PACKAGE IS REPORTED

TO BE AROUND 150 MILLION GULDERS.

3. DUTCH MINAG ANSWERED BY POINTING OUT THAT RECENT POLICY DECISIONS HAVE ALREADY RESULTED IN IMPROVEMENT OF THE AGRICULTURAL SECTOR. INCOME TAX REDUCTIONS AND INVESTMENT SUBSIDIZATION PROGRAMS HAVE CONTRIBUTED SEVERAL HUNDRED MILLION GULDERS TO THE FARM SECTOR. MINAG IS ALSO SYMPATHETIC TO THE IDEA OF TAKING OVER PERMANENTLY A LARGE PART OF VETERINARY AND OTHER INSPECTION COSTS. BUT ON THE OTHER PROPOSALS MADE BY THE FARM GROUP, THE MINAG WAS SILENT. THE AGRICULTURAL BOARD ASKED THE MINAG TO MAKE AN EARLY REPORT OF ITS PLANS FOR FURTHER DISCUSSION.

4. COMMENTS: INFLATION AND INCREASING PRODUCTION COSTS HAVE ERODED THE COMPETITIVE POSITION OF MANY DUTCH AGRICULTURAL AND HORTICULTURAL PRODUCTS, ESPECIALLY WITHIN EC MEMBER MARKETS LAST YEAR. THERE ARE STRONG INDICATIONS THAT THIS TREND WAS FURTHER AGGRAVATED DURING THE FIRST QUARTER OF 1978. ALSO, DOMESTIC MARKETS ARE BEGINNING TO FEEL THE PRESSURE OF INC INCREASED COMPETITION FROM OTHER EC ORIGIN PRODUCTS.

5. SINCE FOUGHLY HALF OF DUTCH AGRICULTURAL AND HORTICULTURAL PRODUCTION IS EXPORTED, DUTCH AGRICULTURE IN GENERL AND THE LIVE-STOCK SECTOR IN PARTICULAR, HAVE REACHED A VERY CRITICAL STAGE. ABOUT 78-80 PERCENT OF DUTCH AGRICULTURAL EXPORTS GO TO OTHER EC MEMBER COUNTRIES. THUS, THE MAINTENANCE OF A STRONG COMPETITIVE UNCLASSIFIED

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PAGE 03 THE HA 03036 01 OF 02 030855Z POSS DUPE

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PAGE 01 THE HA 03036 02 OF 02 030729Z POSS DUPE  
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UNCLAS SECTION 2 OF 2 THE HAGUE 3036

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PSOTURE IN INTRA EC TRADE IS CRUCIAL. IN THIS REGARD, THE REDUCTION OF PIGMEAT MCA'S WHICH WAS PART OF THE EC PRICE SETTLEMENT IS OF CONSIDERABLE CONCERN TO DUTCH FARMERS SINCE IT WILL PUT FURTHER STRAIN ON THE DUTCH COMPETITIVE POSITION IN KEY MARKETS, MOST NOTABLE FRANCE.

6. THE IMPACT ON DUTCH AGRICULTURE OF THE EC PRICE SETTLEMENT AND OF THE NATIONAL MEASURES PROPOSED BY FARM ORGANIZATIONS WILL PROBABLY NOT BE SUFFICIENT TO ALLEVIATE THE FEARS OF FARMERS AND POLICY MAKERS REGARDING THE AGRICULTURAL SITUATION. THERE ARE MORE POWERFUL FORCES UNDERLYING THE RECENT MEDIOCRE PERFORMANCE OF THE FARM SECTOR, THE MOST IMPORTANT OF WHICH ARE RISING PRODUCTION COSTS AND THE STRENGTH OF THE GUILDER. BOTH OF THESE FACTORS HAVE LED TO A DETERIORATION IN DUTCH AGRICULTURAL EXPORTS AND HIGHER IMPORTS. THE RELATIVELY SMALL EC PRICE INCREASE AND THE REDUCTION OF PIGMEAT MCA'S WILL MERELY AGGRAVATE THIS TREND.

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PAGE 02 THE HA 03036 02 OF 02 030729Z POSS DUPE

7. THE RESPONSE OF THE DUTCH FARMER TO ALL OF THIS IS RATHER PREDICTABLE. SINCE SETTING OF AGRICULTURAL PRICES IN BRUSSELS IS NOW BEYOND THEIR CONTROL, FARMERS AND FARM ORGANIZATIONS ARE TURNING INCREASINGLY TO THE GOVERNMENT TO ADOPT NATIONAL MEASURES AIMED AT GETTING THE DUTCH AGRICULTURAL SECTOR THROUGH THESE DIFFICULT TIMES.

8. THE EFFECT OF THESE DEVELOPMENT ON US AGRICULTURAL EXPORTS IS RATHER MIXED. FOR NON-VARIABLE LEVY ITEMS SUCH AS SOYBEANS AND PRODUCTS, NON-GRAIN FEED INGREDIENTS, ANIMAL FATS, FRUITS AND VEGETABLES, TOBACCO, PROCESSED FOODS, ETC., THE US WILL BENEFIT FROM THE RECENT WEAKENING OF THE DOLLAR VIS-A-VIS THE GULDER. WE HAVE NOTICED SOME HEALTHY INCREASES IN IMPORTS OF THESE PRODUCTS, AND THIS TTEND SHOULD CONTINUE IN THE NEAR FUTURE. FOR FEED GRAINS, THE SITUATION IS BLEAK. THE VARIABLE LEVY INSULATES EC CONSUMER FROM ANY BENEFITS OF DECLINING WORLD PRICES. FURTHER, DUTCH COMPOUNDERS ARE INCREASINGLY SUBSTITUTING NONVARIABLE LEVY GRAIN SUBSTITUTES IN FEED RATIONS WHICH HAS LED TO A SIGNIFICANT DECLINE IN FEEDGRAINS (CORN) IMPORT DEMAND.

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## Message Attributes

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